

International Perspectives: Transcript

Commissioner Ward:

Welcome to “Level the Playing Field”, where we explore topics related to economics, equity, women, work, and money. My name is Kadie Ward and I'm Commissioner and CAO of [Ontario's Pay Equity Commission](#).

Joining me today is Karen Jensen, the federal pay equity Commissioner. Karen is Canada's first pay equity Commissioner and led the development and implementation of Canada's pay equity legislation. Commissioner, let's start by celebrating the coming into force of Canada's Pay Equity Act which was August 31 2021, congratulations on this vital piece of legislation.

This piece of legislation had been in the works for a while, as you know. What was the imperative to bring it into force, you know, in this in this moment?

Commissioner Jensen:

Well this this legislation is long awaited legislation, we know that Ontario and Quebec, were the forerunners in bringing in proactive pay equity legislation that applies to both the private and public sectors. And other provinces in Canada have proactive pay equity legislation as well. And in 2004, a federal Task Force recognized that the existing system at the federal level, which was a complaint-based pay equity system, was failing quite miserably. It engendered an enormous amount of litigation. It was only certain sectors, primarily those unionized employees, who could actually fight for pay equity. And it was woefully inadequate. So, 14 years later - unfortunately, it took that long for the legislation to actually be brought in - in 2018, the legislation was enacted and given proclamation. And then it came into force, as you noted, August 31 of this year, which is very exciting for us.

Commissioner Ward:

You know, you've encountered this for sure. Many businesses see pay equity as a cost to their bottom line, and so they resist it. What do you say to that objection to pay equity that it's just a cost to the bottom line?

Commissioner Jensen:

Yeah, I mean, first of all, I really get where businesses are coming from. I myself was involved in the management of a large international law firm. And I know what I know about those pressures that are related to the bottom line, and operational costs, and the regulatory burden. I really get that. But I also know from my experience in the private sector as well as in government, that there is really a strong business case for pay equity.

The research fortunately is now well developed that shows that when businesses work hard and demonstrate to their employees, not just their commitment to the values of pay equity, gender equity, racial equity in the workplace, but actually do take concrete steps - that they see a return in terms of the revenue, the productivity and the attraction and retention of talent.

Commissioner Ward:

You sort of alluded to this: you and your team work diligently to build a tool that supports employers to actually implement pay equity. Can you tell us about those tools?

Commissioner Jensen:

Yeah. Well we've done everything from, you know, developing the traditional learning materials like a legislative guide and interpretation policy guidelines, short explainers, favorable practices that kind of things - those traditional tools. But we've also branched into the more technologically based tool. So, we developed a pay equity compass, which employees can use, that's online on our website, employees or employers or unions can go in there and it's an interactive tool that allows people to determine whether the federal Pay Equity Act, or another act in Canada applies to them to deal with issues around gender wage discrimination. Then we've developed something called the Pay Equity Toolkit, which is right now an Excel based tool but we're going to migrate it to the cloud. And it's a tool that is actually fashioned or uses as an inspiration the Quebec model, they call it "le Progiciel", which is a tool that allows employers to input data and develop their own pay equity plan in a step by step fashion. So, those employers - small medium sized employers who are a bit overwhelmed by the seeming complexity of the task of doing a pay equity plan - will get help on a step by step basis, and they just simply have to amass the data and put it into the tool and the calculations will be done for them, and a pay equity plan will be produced in the end for them using this tool that, as I say, does all the calculations in the background.

So, that's a really useful thing. And then finally we have learned from the experience of many Canadian administrative agencies, and also learned frankly from the experience of being in the pandemic, that use of an online dispute resolution platform may help to accelerate the time that it takes to resolve disputes and to process things like applications for modified application of the Act. So, we're doing that in consultation and in collaboration with the University of Montreal cyber justice laboratory. We are developing our online dispute resolution platform that will allow for among other things, the asynchronous resolution of disputes that pay equity committees might find themselves in. So, we're hoping that will help employers and unions to build their Pay Equity Plan within the three-year time period that's allotted to them in the legislation.

Commissioner Ward:

What's been so interesting is the way technology has evolved since Ontario passed its Pay Equity Act and now where you're at, where you're able to leverage technology and online platforms to support this process. And earlier you and I had a chance to speak with two leaders in the pay equity ecosystem who are using, well actually creating, technology to transform what we know about the gender wage gap and how we actually approach, closing it. Both Katica Roy, CEO and founder of Pipeline Equity, and Dr. Margaret Bjarnadóttir, founder and chairman of the board of Pay Analytics, have led firsts that we would say are leveling the playing field, and actually making pay equity achievable for employers. Let's share a part of that conversation with our audience now.

Margret, you've been known to say that good intentions alone are not enough to close the gender wage gap, and Katica, and Margret, both of you have developed approaches that are rooted in science, not just intentions, but in data analytics that provide irrefutable evidence of the gender wage gap and a way forward to close it. Katica, we'll start with you but can each of you give an overview of your respective platforms.

Katica Roy:

You bet! So, Pipeline is a software platform that increases the financial performance of companies through closing the intersectional gender equity gap - gender plus race, and ethnicity, and age. We actually started with research; we did a research study across 4000 companies in 29 countries. And what we found was that for every 10% increase in intersectional gender equity, there's a 1 to 2% increase in revenue.

So that's the model that we implemented in our platform. What pipeline is, it is actually augmented decision making, so much like you would use Google Maps or Ways to get from point A to point B. We do the very same thing but for companies' people decisions. And there's five of those: internal hiring, pay, performance, potential and promotion. We actually intercept those decisions, run them through our algorithms and make recommendations to ensure that every people decision is equitable.

Commissioner Ward:

I love the way you put that "augmented decision making"! Margret.

Margret Bjarnadóttir:

Yeah, sure. Thank you for inviting me to the conversation. So, yeah, we at Pay Analytics, we developed a platform. Our focus is perhaps more on pay equity, but we wanted to make it easy for companies not only to measure the pay gaps but to close them and keep them closed. And the way we achieve that is that we spend a lot of our R&D researching its employees' impact on the pay gap. And then the best ways to close the gap with a focus on fairness and improving the overall structure; after we invest in closing those pay

gaps we really want to make sure that the pay structure is in a better place, and then kind of thinking about it broader.

...Often, if we just measured and fixed and then, you know, we don't stay vigilant, sometimes those gaps can come creeping back.

Commissioner Ward:

Katica, your platform helps companies understand that the wage gap is really a result of complex, interconnected and even, as you said, intersectional issues. One remarkable aspect of your platform is how it uses artificial intelligence to uncover bias in performance evaluation. Can you tell us what your AI has learned and why this matters in closing the gender wage gap?

Katica Roy:

Yeah. So, what we actually use is natural language processing to read through performance reviews, call it bias phrases. And then, calibrate the ratings so to ensure that ratings are applied equitably. And what we have found is about a third of all performance reviews contain bias and 4% of the time that actually leads to women receiving lower performance ratings. And that matters, not only for their rating but also for their pay for their development, and for their promotion and a company performance reviews really serve as an anchor and input to other decisions.

We've talked a lot about unpaid labor at home, over the last year during the pandemic. what we've actually found also through our implementations, is that women are rewarded for unpaid work at work.

So, they're rewarded for planning parties or celebrations things that don't show up in performance reviews. We've also found that there's more commentary on women's emotional state than men. I was at a Wall Street Journal event a few years ago, and I read a few lines of sample performance review for a man and one for a woman. And everybody started laughing because they recognize it right away without knowing whether or not it was a man or a woman. So, we see a lot more commentary about emotional state. And then the last thing that we have found is that if a company has a name that embodies somebody who demonstrates their cultural values – so, for instance, if you work at Google and it's a Googler, or you work at Charles Schwab and it's a Schwabi - that actually women are held accountable to demonstrating those cultural values, and men - it's nice if they do but it doesn't really impact their performance and their ratings. So, that you can actually see that even if we focus on improving the culture of an organization that can be actually inequitable for women.

Commissioner Ward:

How do companies respond when you give them this data?

Katica Roy:

Well, they find it really valuable because we mostly work with enterprise companies, those that have 10,000 employees or more. And if you look at that at scale, it's almost impossible to ensure equity at scale without technology: you simply can't hand review 10,000 performance reviews. And they know that there's an issue, right. And so, what they are looking for is how do we actually get in front of the decision making before those decisions are actually made.

Commissioner Ward:

Margret, you've seen similar challenges with unconscious bias and the unintended creation or widening of wage gaps. I remember we had a previous conversation about this. Can you share some of the insights you gained while working with clients on this topic as well?

Margret Bjarnadóttir:

Yeah, sure, absolutely! One of my favorite examples, actually comes from a client that was really, there was a huge focus on equity, right, so they decided in 2013 to even out, you know, the gender participation in the management level. So, in 2013 they decided to eradicate any pay inequities. So, we started collaborating around 2016 - 2017 and then their equal pay gap was around two per cent. And what we found when we analyzed their data was that the bias was actually in high performing female – assuming the performance evaluations were good, but I have no doubt that they were given their focus.

But what they found was that the high performing females, yes, they were being paid above average but not to the top like the high performing men. And why I use this example is because this organization is like all in equity, and it just shows how these unconscious biases can creep in. And this was with an HR manager who is like my superhero when it comes to equity. For her, this was an aha moment when she realized that, you know, fixing pay equity you kind of look at who are at the lowest and you can raise their salaries and you think everything is fine, but really if you want to reach pay equity it's not enough just to lift the bottom paid employees, but rather you need to have also balance in well paid employees.

...So, that's some of the things that I've observed. And maybe taking a step back, when I think about kind of an organization and how the bias is distributed over the organization, it's never flat. Right, so the stereotypical example is that, you know, there's more violence in the finance department than in the HR department. And that's, you know, one of the

things that we try to fix, you know, fix the pay structure - to correct those pockets of increased bias within the organization.

Commissioner Ward:

Right, because it's not, as you said, flat it's vertical and horizontal, it's all directions. Karen I'll turn it over to you to ask a few questions.

Commissioner Jensen:

Yeah, that's absolutely fascinating, Margret, to note that you know the unintended bias creeps in, even in those organizations where people are meant to be very conscious about it. I find that really, really interesting. We often hear internationally and in Canada that there are both moral and economic imperatives or arguments to close the gender wage gap. So, we know for example, that millennial workers are very much influenced by whether the company they're considering working for is making efforts to improve gender and racial equality workforce, whether the company is reducing the greenhouse gas emissions and contributing to environmental sustainability that we know that's important to millennials.

Katica, your original research has shown a compelling economic argument for pay equity, and you've noted that taking care of stakeholders and in this case, employees, via equitable wages companies not only move that company closer to achieving gender equity, but also closer to unlocking its subsequent financial gains. Katica, would you tell us then what you've learned about the business case for pay equity.

Katica Roy:

So, the idea that shareholders and stakeholders have very different interests, is actually not true. Even if you're looking through the lens of a CEO and maximizing shareholder value, increasing equity in companies is a really important lever for them to pull in order to realize that economic value, and we've actually collected over a billion data points since then to verify that case. The other thing that we have seen is that at a time of an economic downturn, which obviously we saw last year, it's actually even more important that companies that put equity at the core of their crisis management strategy actually see a 50 percentage point increase in their stock price compared to those that do not.

So, if you are in a time of an economic downturn like we were last year, and you don't put controlling for equity, you actually will see a decline in your stock price versus if you put equity at the core. And then the last piece that we've seen, and this was a huge spike that we saw last year, but there was a huge increase in candidates who are looking for companies that actually pay equitably. And 72% of women who are the majority of all

college educated, almost half of the labor force will not work for a company that does not pay equitably.

Commissioner Jensen:

Interesting, with that compelling evidence in mind employers have the challenge of determining how to effectively acknowledge and value labor force contributions. And Margret, I'm interested in knowing you've previously noted how the valuation of labor is changing from equal pay for equal work to equal pay for work of equal value. And in both Canada and the federal jurisdiction and the provincial jurisdictions of Ontario and Quebec, they all use this notion of equal pay for work of equal value when considering pay equity. And Margret, can you tell us about this shift and the impact on valuing women's work, or at least the way we value the sectors in the labor market where women tend to be present in larger numbers.

Margret Bjarnadóttir:

Yeah, of course. So, in my mind, and I think about how the Equal Pay legislation is changing. When I think back, we have had equal pay for equal work on the books since the middle of last century, and nothing really happened, right, because it didn't have a bite. So I would say across the world we're seeing developments that are really, you know, both focused on kind of putting in place, you know, actions that we know have impacts of whether as transparency or reporting. But we are also seeing a huge shift from equal pay for equal work, and then either to equal pay for substantially similar work, which is a smaller step, right, but at least we are broadening out kind of this notion that we literally need to have to workers sitting next to each other, doing the same work. And we see that happening for example in Colorado. And then in Colorado, they actually define in the legislation, the factors that you're allowed to use to define 'substantially similar'. So, they're progressing in that direction. And then we see like Canada, like Sweden, like New Zealand, that they have taken a step all the way to thinking about, you know, let's forget about the equal work part and let's do work of equal value. And there the focus is really on thinking about, okay what is the value that you bring to the organization. And then, if the value is similar, then those jobs should be compensated in a similar manner, right? And I think the potential of this approach is huge, right? Here is when you think about it, and, you know, what the pandemic has spotlighted for us is the critical importance of often women dominated sectors, like so we think about our nurses, we think about our frontline employees. And with this methodological approach, where we take each job role or job title, and we evaluate its contribution, then we are able to measure the value of, and compare the value of let's say ER nurse versus a computer scientist.

Commissioner Jensen:

Accelerated change comes through the concerted action, I think that's what you are saying. Interesting. Over to you, Kadie, for the last few questions.

Commissioner Ward:

Sure, thank you. I think you know this is really a thought about the way forward as we think about the future. As you know countries like Canada, France and Iceland have federal pay equity legislation and the province of Ontario being the first government globally to adopt and put into force the Pay Equity Act in 1987. And that said, is policy and government regulation the way forward, or can private sector, like the great work you are both leading, level the playing field? Katica, I'll throw to you first.

Katica Roy:

It's a 'both and', it's not an 'either or'. You know, I think the point about, and the importance of the Canadian Pay Equity Law, which I actually wrote about for Fortune, is really important because it shifts it to work of equal value. It also, and Iceland has something similar, but shifts the responsibility from the individual to speak up, you know, I talked a little bit about what women's experience has been since like 1963, which is when the Equal Pay Law was signed into law here in the United States, to companies being responsible for proving that they're actually paying equitably. That is an important shift.

I think the other piece that is important is, and we've seen some of this movement in the United States, is a company's actually reporting on human capital data. So, right now, we make investments in companies based on their financial data. We know from research that their human capital data impacts, it's a good leading indicator of financial metrics which are lagging indicator. And so, we really should begin to include human capital data, that is intersectional gender equity data, as part of those financial statements that companies report on. So, we need, certainly true pay equity laws in every country. We have them in just, you know, three right now. But we need true pay equity laws, and we also need better reporting on that data through company's annual and quarterly reporting for any public company - that's very important.

And it's not only an issue of fairness. In the United States, we know that if we close the gender pay gap - this was actually pre pandemic - we would add \$512 billion to the US economy. And what we also know is that the pay gap was actually set back 22 years in a single year and last year. So, now we have even more that we can gain through paying folks equitably.

Margret Bjarnadóttir:

I think I can echo many of those things. So, obviously we can do a lot in the private sector. But then, when I think about, for example, the early adopters, of our clients – they were

often organizations in competitive labor market so the financial sector, the IT sector, and they wanted to early on before any legislation want to make sure that they did not have pay gaps and then they communicated that both internally and externally. That said, I think, you know, again, echoing what has been said - legislation helps. So, if I think back to Iceland and back to some of my conversations: the former Minister of the Icelandic government actually pushed through the Icelandic law - Þorsteinn Víglundsson. He was a former head of the employers association, and there what he observed was that many of the leaders of that organization took the easy way out of saying 'oh, you know, everything is fine', right. But they did that without taking a look at the data so it became very clear to him, that, you know, you couldn't sit around waiting for them to take proactive action you had to force them to actually look at the data and then I think putting that legislation in place, really has accelerated, you know, the change, which we're all looking to achieve.

Commissioner Jensen:

There is one point I'm really struck in this conversation by - the evidence-based approach that everyone is taking to this table. So, it's not so much about, you know, feelings and sort of policy-based thinking. It's about an evidence-based approach, whether that is providing tools and platforms for the employer to make decisions, or for policymakers to make decisions about the best regulatory model to develop. And I think that's the way of the future is, you know, counting things, and looking at the evidence, and then making a strategic choice about how to address the problem.

Commissioner Ward:

Yes, so thank you both Margret and Katica, for creating these tools that allow for evidence-based decision making.

What I found so impressive about our conversation with Katica and Margret is the very strong economic case, you know, the business case, the economic case exists on so many levels for pay equity.

Commissioner Jensen:

Yeah, I think that's exactly what hit me Kadie as well, and in listening to those two very impressive women talking. You know, Katica was making the point that there are many women in the US, and I think the same can be said of Canada, that are the sole breadwinners in their families. And so those women are in a situation where even though they have to pay the same prices for commodities and things that they need for their family, they are in fact receiving significantly less than men are on the dollar on average, and, you know, not only is that not fair, it also deprives the children in that family of what they need. It deprives women of the ability to save for retirement. And it ultimately costs the economy a great deal in the kinds of supports that will ultimately have to be provided,

you know, to the women and possibly to the children as well. And we know in Canada surveys that have been done of Canadian businesses indicate that employers are worried about the same thing, that they are worried about the impact that the wages, they are providing is having on the Canadian economy, and they're worried about the strength of the Canadian economy. And RBC Economics, for example, has said that if women participated in the labour force at equal rates to men, we could add another hundred billion dollars to our economy. And that's not even taking into account the impact of achieving pay equity. So, we know that it is vitally important not just to workers' economic well-being and companies' well-being but also our society's well-being that we really address the various different levers that are at our disposal, we use those levers to achieve better gender equality.

Commissioner Ward:

I think that something that stood out for me too is the way that both Katica and Margret and their teams are using technology to kind of, they called it augmented decision making, but to leverage data to uncover the biases and then guide decision making towards equity.

Commissioner Jensen:

Exactly, that's really important, and of course we know the old adage that you can't fix what you don't measure. So, you know, hence the absolute importance of data analytics and using the tools to measure the extent to which there is a problem in the workplace and then using those tools to augment the decision making around solving those problems.

Commissioner Ward:

Exactly. Finally, what really struck me was the conversation we had about what does the future hold. Can private sector lead this or can the government with legislation lead this? And both of our guests said it's "both and", we need the private sector and government to work together, in partnership. You know, we certainly try to take that approach, what are your thoughts on that approach to closing the gender wage gap?

Commissioner Jensen:

You know, I think that's what I've been most excited about really, in looking at the international scene is that there are a number of different countries that have really, you know, Iceland, for example, have taken very much that kind of view where someone like Margret Bjarnadóttir is developing a private company, has developed a private company Pay Analytics, that's able to provide data to companies, while the Icelandic government, is enforcing legislation requiring certification around pay equity issues. That's a powerful combination. I'm not sure the extent to which we have that in Canada, except that I think

that we do have finally the private sector that has a strong interest in getting on board with the pay equity initiative, and hopefully we can tap into some of those other tools that are being developed. You know, like the tools that Katica and her company have developed that will help companies to do more than just the minimum required by the legislation, but will help them also to look at the intersectional issues around race and gender identity and that kind of thing. And look at how people from different categories, different intersectional identities are represented in their labour force.

Commissioner Ward:

Absolutely. Thank you so much for being with me today, for sharing this time and this conversation with our colleagues around the world – US, Iceland, Canada - at the table to help elevate the equity conversation. Thank you.

Commissioner Jensen:

It's been a pleasure. Thank you, Kadie.

Commissioner Ward:

This conversation is part of a series, published by the Pay Equity Commission of Ontario to examine economics, equity, women, work and money. You can learn more at www.LevelThePayingField.ca. Please share this video on your social platforms like Twitter, Facebook and LinkedIn, so we can elevate the equity conversation.